



Results of IEER Quarterly Business Climate Survey, July 2022

In the Quarterly Business Climate Survey conducted by the Institute of Economic and Enterprise Research (IEER) 350 CEOs were asked about their company's business situation and prospects.

According to the results of the July 2022 survey, the Quarterly Business Climate Index fell from +36 to +22 points compared to April 2022 (see Figure 1). In the history of the survey, which started in 2010, the indicator only went negative in April and July 2020, returning to positive by October 2020 from which point it continued to rise – though at a more moderate pace – throughout 2021. The slight decline in January 2022 was essentially corrected by the increase in April, but the Quarterly Business Climate Index in July shows a significant decline and is currently in between the January and April 2021 values when the second and third waves of the coronavirus pandemic hit and significant restrictions were imposed.

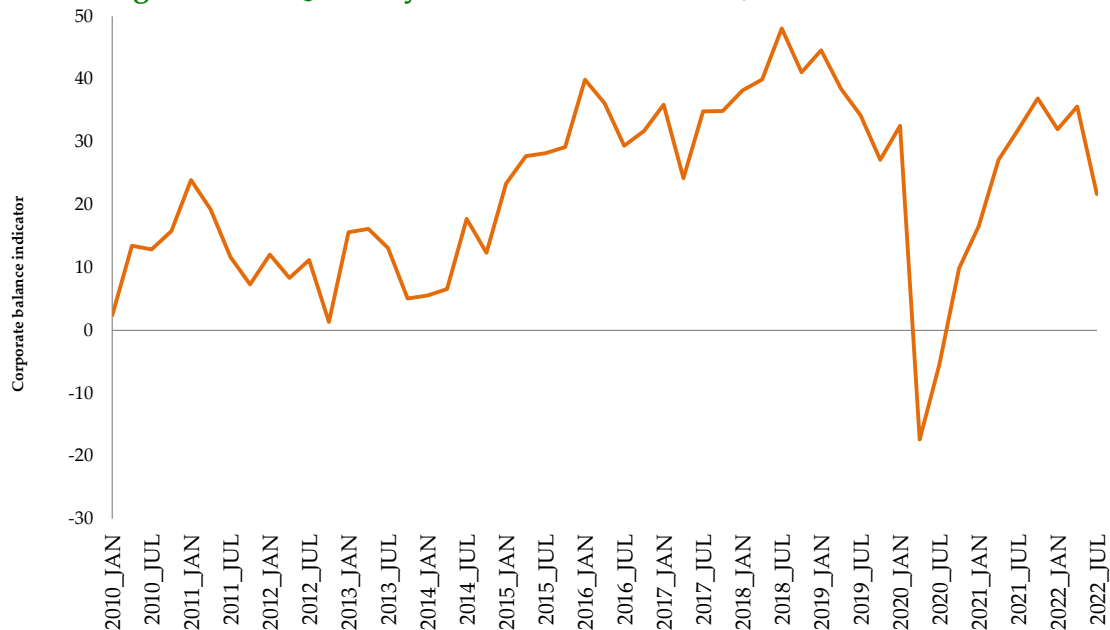
The purpose of the IEER Business Climate Survey is to map current, short-term business expectations of business leaders based on the information available to them at the time of

the survey and their subjective assessment of their business situation.

The Quarterly Uncertainty Index stood at 41 points in July 2022, up eight points from April. This suggests that the assessment of the situation of domestic businesses was significantly more uncertain and diverse again, but more consistent compared to April 2020 results, which reflected a spike in uncertainty. The current value of the Uncertainty Index is similar to that of April 2015 (40 points), and July/October 2020.

The Quarterly Business Climate Index was the highest for processing industry (+25 points), followed by +23 points for services, +17 for trade and it was the lowest for construction (-4 points). Compared to the previous quarter the business climate indicator fell by 21 points for construction, 15 points for services, 13 points for processing industry and 12 points for trade.

Figure 1: The Quarterly Business Climate Index, 01. 2010–07. 2022.



Source: IEER 2022

Note: Please note that the score in the figure is a balance indicator projected on a scale of 100. In all cases, the balance indicator shows the difference between the rate of companies providing positive and negative situation reports. The indicator therefore spans a scale from -100 to +100. -100 indicates that all of the surveyed companies assessed their situations to have been negative, while +100 indicates that all of the surveyed companies assessed their situations to have been positive.

Figure 2: Quarterly Business Climate Index by economic sectors, 01. 2010–07. 2022.



Source: IEER 2022

Note: Please note that the score in the figure is a balance indicator projected on a scale of 100. In all cases, the balance indicator shows the difference between the rate of companies providing positive and negative situation reports. The indicator therefore spans a scale from -100 to +100. -100 indicates that all of the surveyed companies assessed their situations to have been negative, while +100 indicates that all of the surveyed companies assessed their situations to have been positive.

The Quarterly Business Climate index has ten components

- current/expected business situation;
- current/expected profitability;
- expected investment activity;
- current orders;
- production level in the previous half/expected production;
- expected changes in the number of employees;
- expected capacity utilisation.

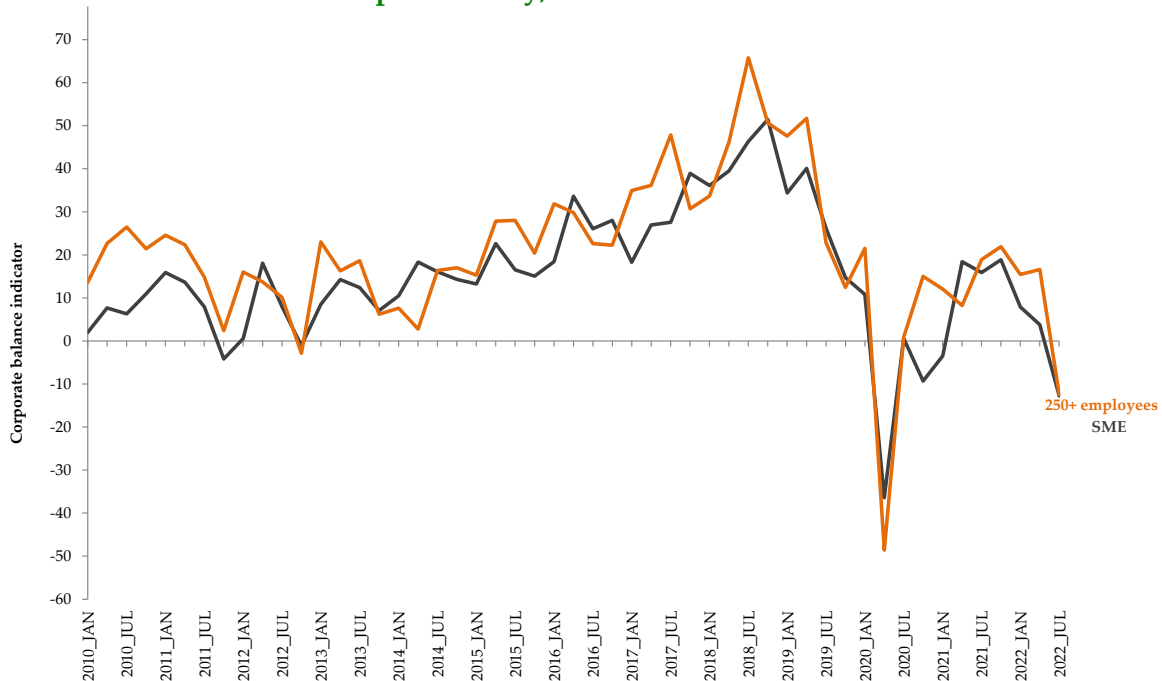
As for the sub-indicators, business leaders are more pessimistic about them compared to April 2022, with the exception of the expected number of employees. Compared to the previous quarter, the largest fall (24 points) was observed in expected profitability and there was also a significant drop (21 points) in the assessment of the current business situation. Compared to the same period of the previous year, the current situation of companies is more negative, with the exception of current orders and the expected number of employees. The most significant decline (30 points) year-on-year was in expected profitability.

Based on July 2022 data, large companies are more optimistic about their situation compared to small and medium-sized companies, with the exception of expected profitability. The most significant differences are in the assessment of current orders (30 points), expected production level (28 points), expected capacity utilisation and the past six months' production level (23-23 points) as

well as the expected level of investment (20 points).

Compared to April 2022, all indicators decreased for small and medium-sized enterprises, with the largest decrease (by 24 points) in the expected level of investment. For large enterprises, all indicators fell compared to April 2022, except for the expected number of employees, the level of production in the last six months, the expected level of investment and the current level of orders. Compared to the same period in the previous year, all other indicators for SMEs (except for the level of production in the last six months for which the perception remained unchanged) decreased, with the most profound fall being in expected capacity utilisation (34 points). For large enterprises, current orders and the expected number of employees are higher compared to July 2021, while the other indicators decreased in comparison with the previous year.

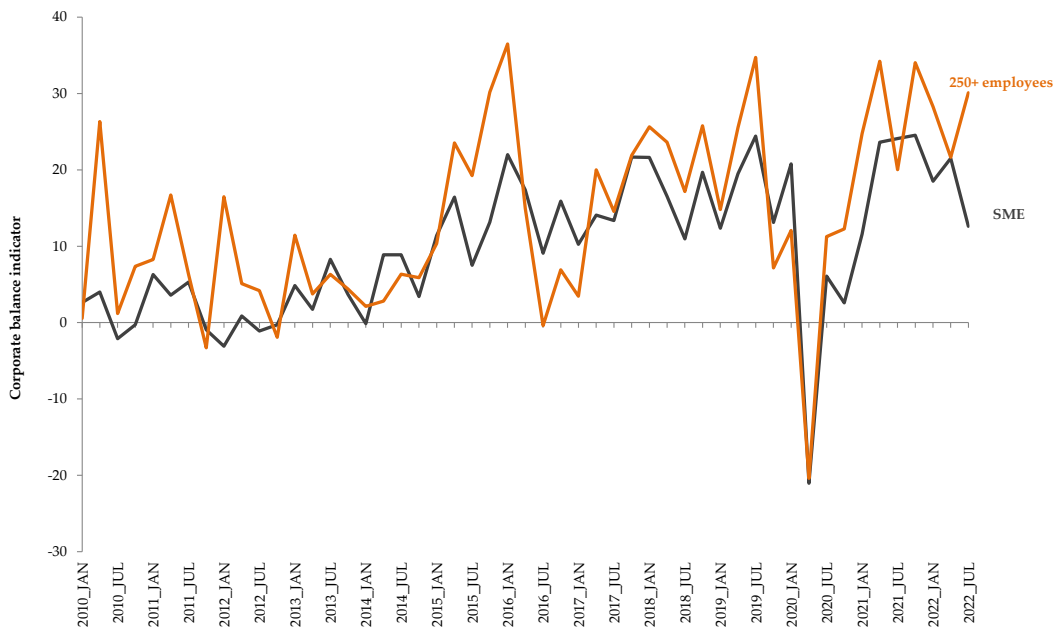
Figure 3: The Quarterly Business Climate Index components by company size – expected profitability, 01. 2010–07. 2022.



Source: IEER 2022

Note: Please note that the score in the figure is a balance indicator projected on a scale of 100. In all cases, the balance indicator shows the difference between the rate of companies providing positive and negative situation reports. The indicator therefore spans a scale from -100 to +100. -100 indicates that all of the surveyed companies assessed their situations to have been negative, while +100 indicates that all of the surveyed companies assessed their situations to have been positive.

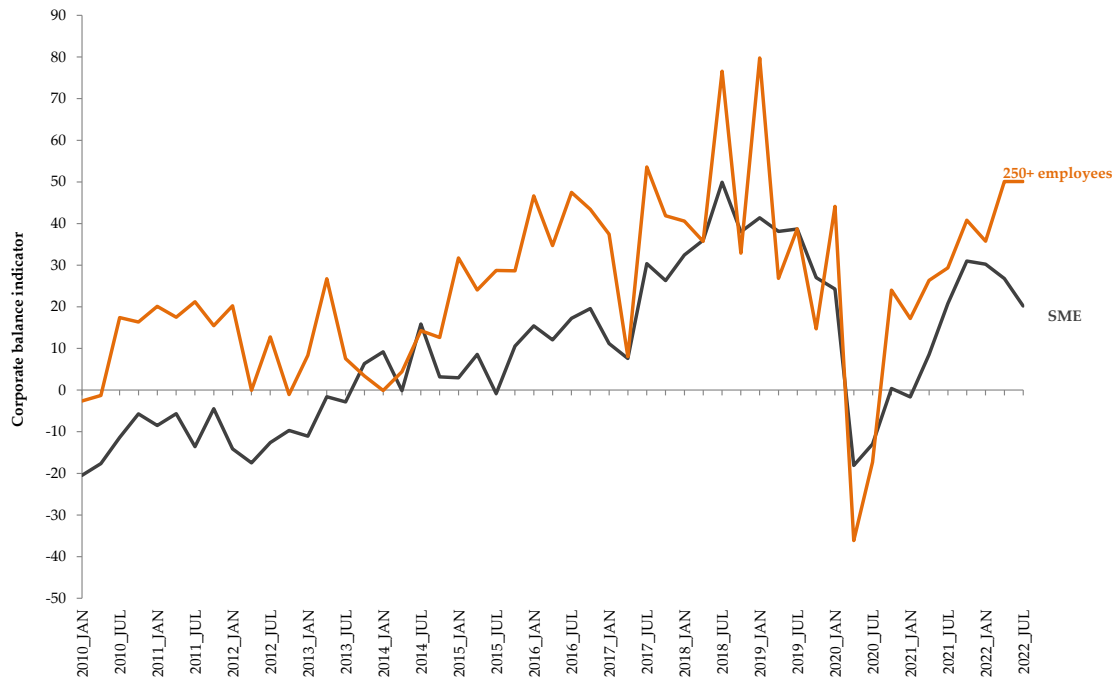
Figure 4: The Quarterly Business Climate Index components by company size – expected change in the number of employees, 01. 2010–07. 2022.



Source: IEER 2022

Note: Please note that the score in the figure is a balance indicator projected on a scale of 100. In all cases, the balance indicator shows the difference between the rate of companies providing positive and negative situation reports. The indicator therefore spans a scale from -100 to +100. -100 indicates that all of the surveyed companies assessed their situations to have been negative, while +100 indicates that all of the surveyed companies assessed their situations to have been positive.

Figure 5: The Quarterly Business Climate Index components by company size – current orders, 01. 2010–07. 2022.



Source: IEER 2022

Note: Please note that the score in the figure is a balance indicator projected on a scale of 100. In all cases, the balance indicator shows the difference between the rate of companies providing positive and negative situation reports. The indicator therefore spans a scale from -100 to +100. -100 indicates that all of the surveyed companies assessed their situations to have been negative, while +100 indicates that all of the surveyed companies assessed their situations to have been positive.

Late payment and chain debt at Hungarian companies

The Institute for Economic and Enterprise Research (IEER) analysed the experiences of 350 CEOs of Hungarian companies with at least 20 employees in relation to late payment and chain debt. The survey on which the analysis is based was conducted in July 2022.

The results show that in the first half of 2022, 70 percent of businesses had at least one business partner (more than half of the partners in 6 percent of cases) that paid late. The problem of late-paying business partners was most prevalent in trade (86%) and among 50–99 companies (79%).

26% of respondents were themselves in debt to their suppliers, and 14% had experienced

chain debt, i.e. they had been unable to pay at least once in the year before the survey due to late payment by their customers. Debts to suppliers were most common among 50-99 companies (31%), construction businesses (29%), and fully domestic businesses (26%). Chain debt was most common among 20–49 companies (18%), construction companies (22%), and fully domestic companies (16%).

Figure 1: Proportion of companies experiencing late payment, 2007–2022 (N=275–408)

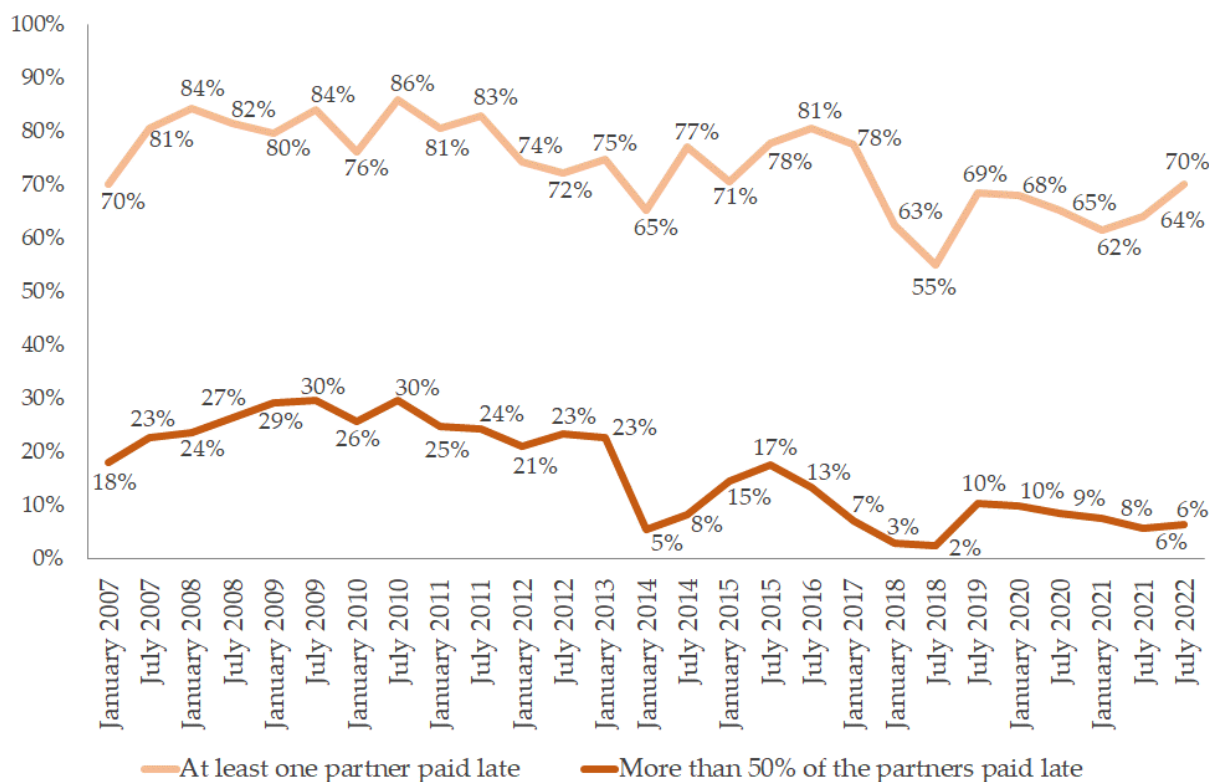
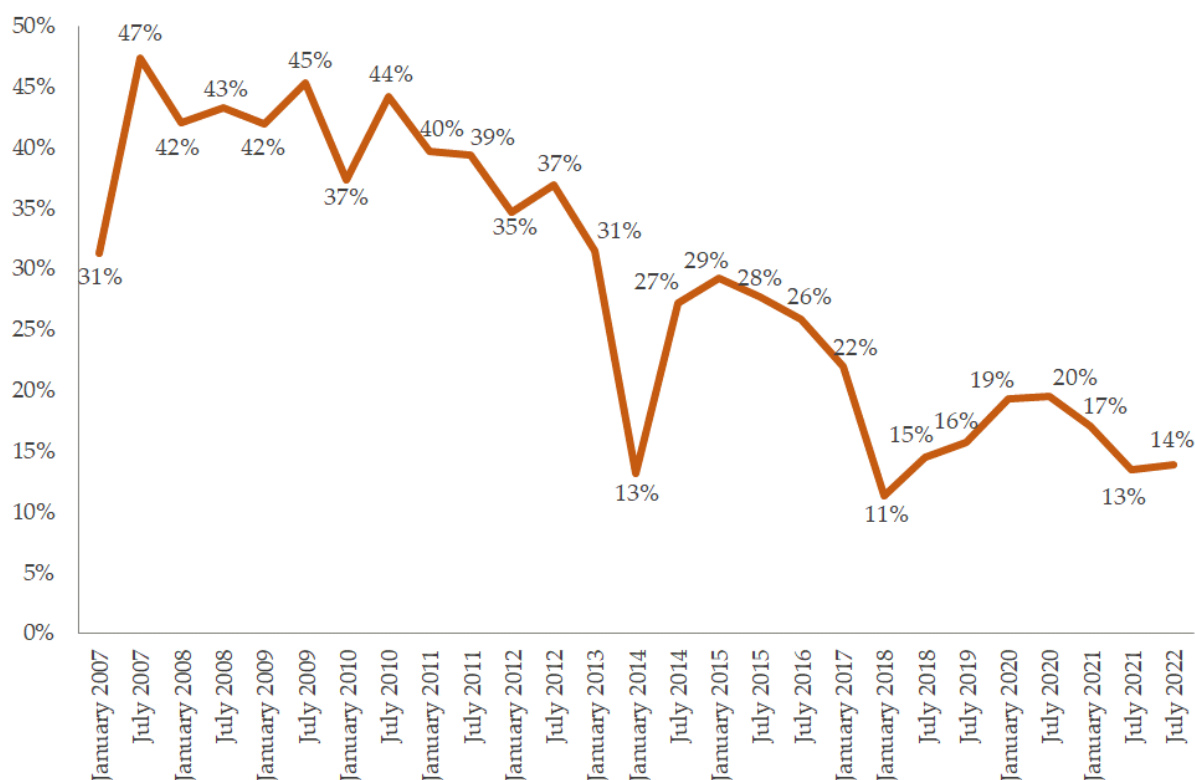


Figure 2: Proportion of companies paying late at least once due to the late payment by customers, 2007–2022 (N=296–417)



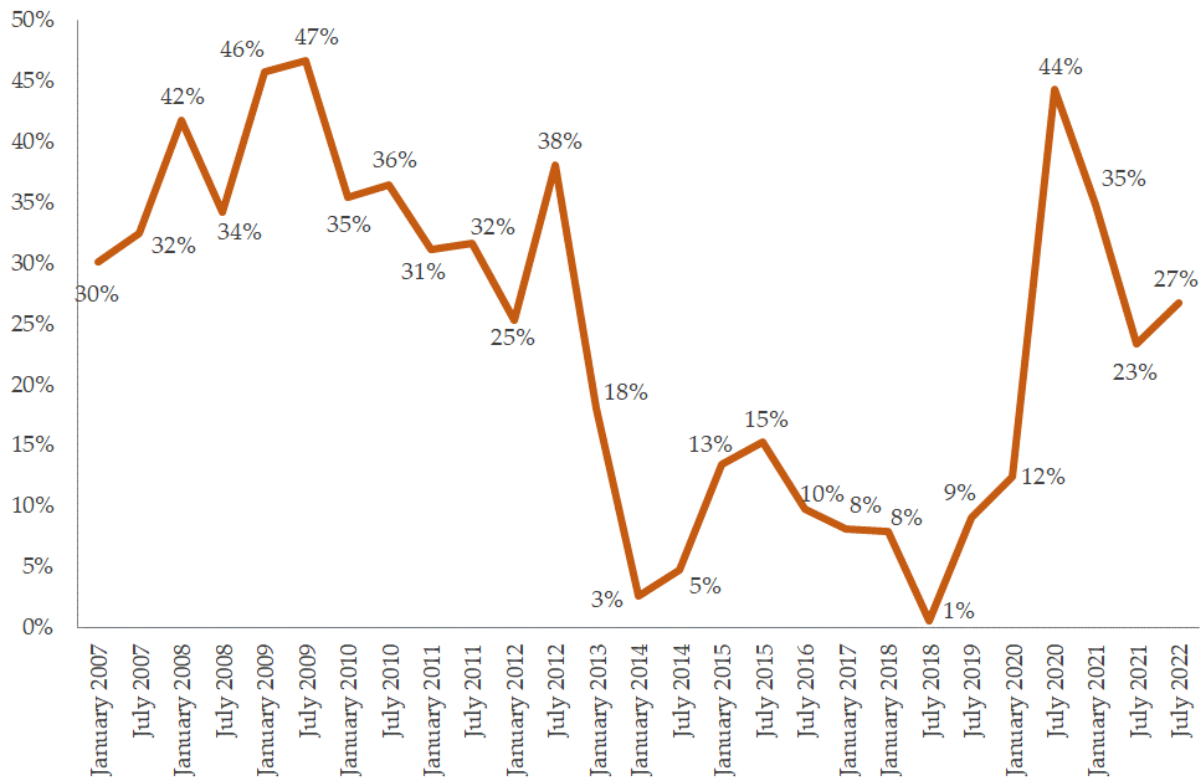
Source: IEER 2007–2022

*Survey samples include data for large 250+ companies only since January 2010.

Overall, the proportion of companies experiencing late payment has continued to increase since the survey conducted in January 2021, rising by a further 6 percentage points compared to July 2021 (64%), while the proportion of firms in debt to suppliers remained unchanged and the problem of chain debt has increased by 1 percentage point among the firms surveyed.

The severity of the problems generated by chain debt increased in the six months before July 2022 according to 27% of respondents, up from 23% in July 2021, but down from 44% in July 2020 just after the outbreak of the Covid-19 pandemic.

Figure 3: Proportion of companies perceiving the deterioration of the chain debt problem, 2007–2022 (N=237–394)



Source: IEER 2007–2022

*Survey samples include data for large 250+ companies only since January 2010. The surveys cover the last quarter until January 2018 and the last six months from July 2018 onwards.

International trends

Changes in the production, consumption and employment situation in certain major international economies compared with peer expectations and the previous period.

		Period in review	Actual data	Expectations	Previous period
	Unemployment Rate	(August)	5.5%	5.5%	5.4%
Germany	Manufacturing Purchasing Managers Index	(August)	49.1	49.8	49.3
	IFO Business Climate Index ¹	(August)	88.5	80.3	88.7
France	INSEE Business Climate Index ²	(August)	103.4		102.8
	Unemployment Rate	(August)	3.7%	3.5%	3.5%
USA	CB Consumer Confidence Index	(August)	103.2	97.9	95.3
	Manufacturing Purchasing Managers Index	(August)	51.5	51.3	51.3
China	Manufacturing Purchasing Managers Index	(August)	49.4	49.2	49.0

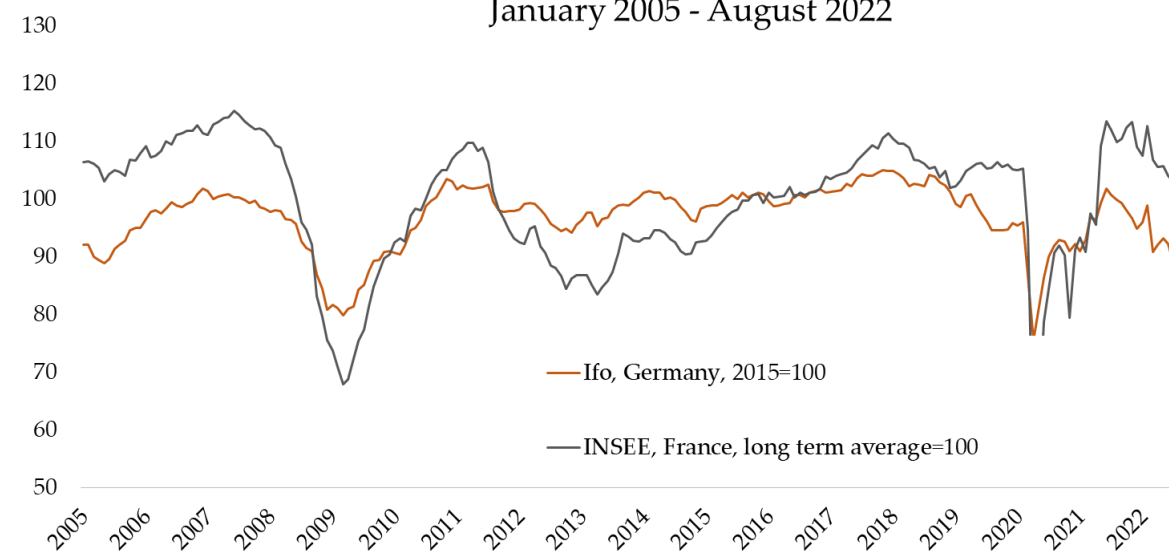
¹ <https://www.ifo.de/en/survey/ifo-business-climate-index>

² <http://www.insee.fr/en/themes/indicateur.asp?id=105>

The rest of the data source: <https://www.bloomberg.com/markets/economic-calendar>

In Germany, the IFO business climate index slightly decreased compared to July. The manufacturing purchasing manager index (PMI) also decreased compared to the previous period and was below the expectations. The unemployment rate has worsened in Germany. The French INSEE business climate index increased compared to last month. In the United States, the CB consumer confidence index increased significantly compared to the month prior, and it performed better than expected. The manufacturing PMI also increased compared to July in the USA. The unemployment rate has worsened compared to the previous month. The Chinese manufacturing PMI slightly increased compared to July.

Business confidence in Germany and France,
based on the Ifo and INSEE business climate survey,
January 2005 - August 2022



Sources: www.ifo.de, www.insee.fr

Contact

Address: MKIK GVI
H-1065 Budapest, Lázár utca 10. 4/18.
Tel: (+36)1/235-05-84
E-mail: gvi@gvi.hu
Internet: <http://www.gvi.hu>

Prepared by:

Ágoston Horváth, analyst, MKIK GVI
Krisztián Széll, analyst, MKIK GVI
Katalin Tóth, analyst, MKIK GVI

Research manager:

Fruzsina Nábelek
Managing director, MKIK GVI

In case of publication please cite as follows:

HCCI-IEER: Monthly Economic Bulletin,
August 2022, Budapest,
2022-09-15